

BEFORE THE  
ILLINOIS COMMERCE COMMISSION

SILVERLEAF COMMUNICATIONS INC. ) DOCKET NO.  
 ) 02-0292  
Application for a Certificate of )  
Interexchange Authority to Operate )  
as an Interexchange Resale Carrier )  
of Telecommunications Services in )  
the Entire State of Illinois. )

Springfield, Illinois  
July 30, 2002

Met, pursuant to notice, at 10:00 A.M.

BEFORE:

MR. MICHAEL WALLACE, Administrative Law Judge

APPEARANCES:

MR. SCOTT SEREBOFF  
2100 West Loop South  
Suite 900  
Houston, Texas 77027

(Appearing on behalf of the Applicant via  
teleconference)

SULLIVAN REPORTING COMPANY, by  
Cheryl A. Davis, Reporter, CSR License #084-001662

I N D E X

<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
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SCOTT SEREBOFF				
By Judge Wallace	5			

<u>EXHIBITS</u>	<u>MARKED</u>	<u>ADMITTED</u>
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Applicant's 1	4	4/5
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PROCEEDINGS

JUDGE WALLACE: Pursuant to the direction of the Illinois Commerce Commission, I now call Docket 02-0292. This is the application of Silverleaf Communications Inc. seeking a certificate of interexchange authority to operate as an interexchange resale carrier of telecommunications services in the entire State of Illinois.

May I have appearances for the record. Mr. Sereboff, would you please state and spell your name?

MR. SEREBOFF: Yes, sir. I'm Scott Sereboff. That's S-C-O-T-T, the last name S-E-R-E-B-O-F-F, and I'm the president of Silverleaf Communications in Houston, Texas.

JUDGE WALLACE: And the street address, please?

MR. SEREBOFF: 2100 West Loop South, Suite 900, in Houston, Texas 77027.

JUDGE WALLACE: All right. Thank you, Mr. Sereboff.

Let the record reflect there are no other appearances at today's hearing.

1           First of all, you've filed a packet of  
2           information with your application, and that included  
3           a four-page prefilled testimony?

4 MR. SEREBOFF: Yes, sir.

5 JUDGE WALLACE: Did you have any changes to  
6 make to that testimony?

7 MR. SEREBOFF: No, sir, we do not.

8 JUDGE WALLACE: All right. I will mark this as  
9 Applicant's Exhibit Number 1, and it will be  
10 admitted into the record.

11 (Whereupon Applicant's Exhibit 1 was  
12 marked for identification and received  
13 into evidence.)

14 JUDGE WALLACE: All right. I'll just try to go  
15 through a few things here.

16           Mr. Sereboff, do you swear that the testimony  
17           that you're about to give is the truth, the whole  
18           truth and nothing but the truth?

19 MR. SEREBOFF: Yes, I do.

20 JUDGE WALLACE: With that, I would admit

21 Applicant's Exhibit Number 1.

22 (Whereupon Applicant's Exhibit 1 was

1                   received into evidence.)

2                   SCOTT SEREBOFF

3           called as a witness on behalf of Silverleaf  
4           Communications Inc., having been first duly sworn,  
5           was examined and testified telephonically as  
6           follows:

7                   EXAMINATION

8           BY JUDGE WALLACE:

9           Q.     How long has Silverleaf been in existence?

10          THE WITNESS:

11          A.     Just about two and a half years. We were  
12          founded essentially March 1st of 2000 and  
13          incorporated in late June of 2000.

14          Q.     All right. And I notice on your application  
15          you list yourself as the contact person for many of  
16          the contact points that we have. Do you have other  
17          employees?

18          A.     Yes, sir, we do.

19          Q.     And do they have the required technical  
20          expertise to operate as a resale carrier?

21          A.     Yes, sir, they do.

22          Q.     What service exactly do you propose to offer in

1 the State of Illinois?

2 A. Domestic and international long distance only  
3 for business and residential customers.

4 Q. And are you planning on offering that  
5 throughout the state or are you going to target  
6 certain areas initially?

7 A. Throughout the entire state, although we will  
8 attempt to target larger cities such as Chicago, for  
9 example.

10 Q. All right. Will you have a sales force in  
11 Illinois?

12 A. Not a direct sales force at this time. We do  
13 utilize agents, and we may have agents in Illinois,  
14 although I'm not aware of any that are specifically  
15 in Illinois.

16 Q. And you know by the application that there are  
17 certain federal and state slamming and cramming  
18 laws?

19 A. Absolutely.

20 Q. And you will comply with those laws?

21 A. Without question. We keep records of all  
22 letters of authorization, whether verbal or written

1 or Internet-based, that we get from our customers.

2 Q. And if you utilize agents, they will be  
3 properly trained in these laws also?

4 A. Yes, sir.

5 Q. All right.

6 A. We only use reputable telecom agents. We don't  
7 take brand-new people.

8 Q. All right. And you've checked that you are  
9 aware that tariffs may be necessary in Illinois, and  
10 you will file an appropriate tariff?

11 A. Yes, sir. We are contracted with Technologies  
12 Management in Florida and Tax Partners in Atlanta,  
13 Georgia to handle those issues.

14 Q. And you will have no equipment in Illinois,  
15 right?

16 A. No, sir.

17 Q. And will you have any offices in Illinois?

18 A. There are no plans to have offices in Illinois  
19 at this time.

20 Q. So any trouble contact will be through an 800  
21 number?

22 A. Yes, sir.

1 Q. Or a toll-free number?

2 A. Yes, sir.

3 Q. All right. How do you provide -- how would you  
4 provide service? Are you going to attempt to  
5 provide service 24 -- if there are problems,  
6 technical service, is that 24/7?

7 A. The customer service department is not open  
8 24/7. It's open Central Standard time from 7:00  
9 a.m. to 10:00 p.m.. there is a provision for  
10 leaving a message if the customer's, you know, issue  
11 is that big. There's also an escalation chart that  
12 our larger customers can use, for example a business  
13 customer, that ultimately winds up in front of me,  
14 and I am as well as all of my employees are  
15 available on a 24/7 basis via, you know, cell phone.

16 Q. All right. You mention in your testimony  
17 you're going to use DCA Services for billing. Is  
18 that correct?

19 A. Yes, sir, it is.

20 Q. And what was the tech something of Florida?

21 A. Technologies Management, Incorporated,  
22 abbreviated as TMI. They provide what's called

1 compliance reporting. In fact, they're the ones who  
2 had initially contacted your office for the purpose  
3 of setting up this hearing.

4 Q. Oh, Ms. Dawson?

5 A. Yes, sir.

6 Q. So they'll do compliance, and Tax Partners will  
7 do what?

8 A. They do your sales taxes.

9 Q. Okay.

10 A. So that we can stay in compliance with you all's  
11 tax rules for sales tax collection, etc..

12 Q. All right. And, again, on your application  
13 you've listed --

14 A. It's a big application, isn't it?

15 Q. Yeah, we require a lot I guess. I'm looking,  
16 trying to find a financial report. All right. Am I  
17 reading this right? You show a negative net income?

18 A. You are reading it correctly. You'll notice  
19 that the balance sheet ends on December of '01, and  
20 we had not started billing our customer base, really  
21 didn't start billing until actually into March of  
22 2002.

1 Q. All right.

2 A. So the balance sheet you have in front of you  
3 does not reflect our current customer base. We  
4 invoice approximately 150- to \$160,000 per month,  
5 and we're growing.

6 Q. All right. Is Silverleaf owned by any other  
7 entity?

8 A. No, sir. It's privately held by -- well, if  
9 you count myself and my partner, 56 stockholders.

10 Q. All right. You and Mr. Padget?

11 A. Yes, sir.

12 Q. You're the principles?

13 A. Yes, sir.

14 Q. And most of your start-up money came from what?

15 A. The first \$302,000 came from my partner.

16 Q. All right.

17 A. Mr. Padget. The balance of the money from then  
18 until we started billing came from the other 54  
19 stockholders. Each of them bought, you know, a  
20 certain amount of stock for, you know, the price  
21 that we sold the stock at, and since we started our,  
22 you know, real expansion, our money to operate the

1 company has come from operations.

2 Q. All right. One of the questions I have, and  
3 I'm not quite sure, you don't have anything more  
4 current to show an improved financial stance.

5 A. Not that I can put in your hands today, but we  
6 are having another one done, and if you would like,  
7 we can certainly send it up and have it added to the  
8 packet.

9 Q. All right. That would be -- I would appreciate  
10 that. I don't think that what I have now would be a  
11 detriment to granting a certificate, but in any  
12 event, if you could show something positive, I would  
13 appreciate that.

14 A. You've got it. I'm jotting a note down to send  
15 new financials immediately.

16 Q. Okay.

17 A. Or when ready, to be more fair.

18 Q. And one of the problems that we have with  
19 carriers, and it's not a major problem, but we do  
20 have a few bureaucratic rules like filing annual  
21 reports.

22 A. Uh-huh.

1 Q. You will file the appropriate annual report  
2 with the Commission?

3 A. Yes, sir. That, again, is handled by  
4 Technologies Management in Florida.

5 Q. All right. Do you operate in other states?

6 A. Yes, sir, we do.

7 Q. And how many?

8 A. Well, we have customer base in virtually every  
9 state in the United States. We primarily are  
10 focused on Texas, Florida, California, Illinois, New  
11 York, New Jersey, and Maryland.

12 Q. Okay.

13 A. That's probably 80 percent of our customer  
14 base, if not more.

15 Q. And do you have certificates from any of the  
16 other states?

17 A. Yes.

18 Q. Okay.

19 A. In fact, all of the ones that I've just  
20 mentioned with a possible exception of Maryland,  
21 because I'm not sure if we're finished with Maryland  
22 yet, we are certificated and licensed to do business

1 in that state, including the evil California whose  
2 process is just ungodly.

3 Q. Oh really?

4 A. It takes a minimum of 60 days before they  
5 issue, and it's hairy to go through the whole thing.

6 JUDGE WALLACE: Okay. All right. I believe  
7 that's all the questions I have.

8 Q. Oh, on your experience, you've been in the  
9 telecommunications industry for a number of years?

10 A. Yeah. I'm heading towards year nine.

11 Q. All right. And this is a loaded question, but  
12 do you feel you have the experience and expertise to  
13 run a telecommunications company?

14 A. Yes, I do.

15 Q. Okay. I figured I'd give you an easy one  
16 there.

17 A. Yeah. Does anyone ever say no would be my  
18 question? Snap their fingers and go, "No. You  
19 caught me. I'm not really qualified. Sorry. Bye"  
20 and hang up.

21 Q. No, we haven't yet.

22 A. I would be real interested to hear if it ever

1       happened.

2               JUDGE WALLACE: All right. I think that's all  
3 I need today.

4               I will admit Applicant's Exhibit Number 1,  
5 which is your prefiled testimony, and we'll admit as  
6 a late-filed exhibit a new financial statement or  
7 new balance sheet, whatever you have.

8               I think that pretty well wraps it up, so I will  
9 mark the record Heard and Taken.

10              MR. SEREBOFF: Excellent.

11                                      HEARD AND TAKEN

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